

PROPOSED VIRGINIA LAND-HOME PROPERTY ACT

Issues

Current Virginia law affecting the titling of manufactured housing is limiting the availability of credit to finance the purchase and refinancing of manufactured homes and making it more difficult for a homeowner to resell a manufactured home.

Current law creates uncertainty about the validity of a lender's security interest in manufactured housing as collateral for a loan.

Secondary market investors require absolute certainty that a valid lien and marketable title exists before these loans can be sold. Without a robust secondary market, there will not be available credit. Fannie Mae and Freddie Mac have both modified their guidelines on mortgage eligibility and servicing policies for loans secured by manufactured housing.

Titling issues affect both new homes purchased from a retailer as well as the resale and refinancing of existing homes.

Manufactured housing is an important affordable housing option for many low and moderate income borrowers, especially in high-cost and rural areas. Retailers and manufacturers report that financing is increasingly difficult to obtain in the current environment.

Solutions

The Virginia Housing Commission (the "Commission") was asked by Delegate John Cosgrove to study possible changes in the titling of manufactured housing at the request of the Virginia Manufactured and Modular Housing Association and the Virginia Bankers Association. The proposed "Virginia Land-Home Property Act" addresses gaps in the Virginia titling laws and creates an efficient system for titling manufactured housing that addresses the needs of homeowners, purchasers, lenders, title agents, retailers and manufacturers. The legislation would:

- Improve the conversion process by which a manufactured home is "converted" to real property once it is affixed to a permanent foundation;
- Replace the current *ad hoc* conversion procedures that vary by county with a uniform, statewide system;
- Provide for a record of conversion in both the real property and the DMV records;
- Establish a severance procedure by which a manufactured home that has been converted to real property can be severed from the land when a home is destroyed or traded in and replaced with a new home;
- Increase the marketability of existing manufactured homes by creating a clear chain of title and lien priority in the local land records as well as the personal property records;
- Ensure that lenders' security interests are protected during the conversion process; and
- Standardize the definitions of "manufactured home," "manufactured building," and "real estate" in current law to eliminate confusion and conform to the new conversion and severance procedures.